

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,) INDICTMENT
Plaintiff,)
v.)
PATRICK LALLY,)
Defendant.)
CASE NO: 5:20 CR 021
Title 18, United States Code,
Sections 1344(1) and 2

GENERAL ALLEGATIONS

At all times material to this Indictment or other times specified:

1. A financial institution previously known as Home Savings Bank operated in Kent, Ohio, where it was headquartered, and other locations within the Northern District of Ohio, Eastern Division. In 2011, Home Savings Bank changed its name to Hometown Bank (“Hometown”).

2. A financial institution previously known as Home Savings & Loan of Youngstown ("Home S&L") operated in Youngstown, Ohio, where it was headquartered, and other locations within the Northern District of Ohio, Eastern Division, and the States of West Virginia and Pennsylvania.

3. A financial institution known as The Huntington National Bank ("Huntington") operated in the Northern District of Ohio, Eastern Division, and was headquartered in Columbus, Ohio.

4. Hometown and its predecessor, Home Savings Bank, Home S&L, and Huntington were financial institutions as defined under Title 18, United States Code, Section 20.

5. Steven P. McDonald (“McDonald”), not charged herein, was employed as a Commercial Loan Officer and later, Vice President of Commercial Lending at Hometown. McDonald was formerly a Financial Institution Examiner for the State of Ohio. McDonald had a personal checking account at PNC Bank ending in #5235 (“PNC checking account”).

6. Defendant PATRICK LALLY (“LALLY”) was one of McDonald’s customers at Hometown. LALLY owned and operated Ace Demo, Inc. (“Ace Demo”), a demolition company; Galahad L.L.C., (“Galahad”), a real estate holding company; and P & B Music Sales (“P&B”), an inactive company formed for the purpose of music sales. LALLY had a personal Merrill Lynch investment account ending in #2586 (“Merrill Lynch account”).

COUNT 1
(Bank Fraud, 18 U.S.C. § 1344(1))

The Grand Jury charges:

7. The factual allegations of paragraphs 1-6 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

8. On or about January 11, 2010, Defendant PATRICK LALLY, through Ace Demo, applied to Hometown for a commercial loan, ending in #2281-0, in the amount of approximately \$43,500.00. The stated purpose on the loan application was to refinance prior loans regarding Ace Demo’s commercial vehicles, a truck and trailer. Defendant signed the loan application in his capacity as Ace Demo’s President.

9. On or about January 29, 2010, the following series of transactions occurred for Defendant to further his scheme and artifice to defraud Hometown regarding the commercial loan, ending in #2281-0: (i) Defendant, through Ace Demo, signed a Commercial Security Agreement and Promissory Note to Hometown to finance commercial vehicles, to-wit: a truck (1999 Sterling L7500 Truck, VIN ending #3627) and trailer (1995 East Trailer, VIN ending

#6762), as referenced in paragraph 8; (ii) Hometown issued official check no. 065848 to Ace Demo in the amount of approximately \$43,252.00 as the loan proceeds; (iii) The full amount of check no. 065848 was immediately deposited into Ace Demo's business account at Home S&L, account ending in #9508; (iv) Check no. 1767 was made payable to LALLY from Home S&L account #9508 in the amount of approximately \$43,252.00; (v) Defendant withdrew approximately \$20,000.00 from his personal line of credit account at Huntington, account ending in #6442, in a check made payable to "cash"; (vi) Defendant used approximately \$15,000 of the \$20,000.00 to purchase Huntington Cashier's check no. 1250868583, made payable to McDonald in the amount of approximately \$15,000.00; and (vii) McDonald deposited check no. 1250868583 into his National City Bank checking account.

10. In or around January 2010, in the Northern District of Ohio, Eastern Division, Defendant knowingly executed and attempted to execute a scheme and artifice to defraud Hometown by representing that the commercial loan, ending in #2281-0, was issued for a commercial purpose, when Defendant well knew that said loan proceeds were intended to be used for other purposes, including providing payments and loans to McDonald as Hometown's loan officer administering said loan.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

COUNT 2
(Bank Fraud, 18 U.S.C. § 1344(1))

The Grand Jury further charges:

11. The factual allegations of paragraphs 1-6 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

12. On or about February 19, 2010, Defendant PATRICK LALLY, through his

companies, Ace Demo and Galahad, and his spouse, not charged herein, applied for a commercial line of credit in the amount of approximately \$725,000.00 from Hometown. Defendant signed the loan application, which consisted of a Promissory Note and Commercial Security Agreement, as Ace Demo's President, Member, and individually, and Galahad's President, Member, and individually. Defendant's spouse also signed the Promissory Note and Commercial Security Agreement as Ace Demo's President, Member and individually and Galahad's President, Member, and individually.

13. On or about February 24, 2010, the following series of transactions occurred for Defendant to further his scheme and artifice to defraud Hometown regarding the commercial loan referenced above in paragraph 12: (i) Defendant drew approximately \$275,000.00 against the aforementioned commercial line of credit at Hometown and deposited these loan proceeds into Ace Demo's checking account at Hometown, account ending in #8749; (ii) Defendant drafted check no. 1003 from Ace Demo's checking account, ending in #8749, payable to P&B, in the amount of approximately \$165,000.00; (iii) Defendant deposited check no. 1003 into P&B's checking account at Home S&L, account ending in #7268; (iv) Defendant drafted check no. 1012 Home S&L, account ending in #7268, to McDonald in the amount of approximately \$165,000.00; and (v) McDonald deposited check no. 1012 into his National City Bank checking account.

14. In or around February 2010, in the Northern District of Ohio, Eastern Division, Defendant knowingly executed and attempted to execute a scheme and artifice to defraud Hometown by representing that the commercial line of credit for his companies, Ace Demo and Galahad, was issued for a commercial purpose, when Defendant well knew that said loan proceeds were intended to be used for other purposes, including providing payments and loans to

McDonald as Hometown's loan officer administering said loan.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

COUNT 3
(Bank Fraud, 18 U.S.C. § 1344(1))

The Grand Jury further charges:

15. The factual allegations of paragraphs 1-6 of this Indictment are realleged and incorporated by reference as if fully set forth herein.
16. On or about July 13, 2010, Defendant PATRICK LALLY applied for a Commercial Term Note, ending in #2252-0, on behalf of Ace Demo and Galahad, to refinance previous commercial debt in the amount of approximately \$225,000.00. Defendant executed the Commercial Debt Modification Agreement and Promissory Note for loan #2252-0, which he signed as Ace Demo's President, Member, and individually, and Galahad's President Member, and individually. Hometown then issued an official check as a disbursement from this loan, check no. 67095, for approximately \$63,292.37.
17. On or about July 20, 2010, Defendant returned official check no. 67095 to Hometown. Hometown then issued a new official check, check no. 67168, for approximately \$38,292.37. The difference of approximately \$25,000.00 between the original official check no. 67095 and the later official check no. 67168 was applied against the outstanding balance for the loan ending in #2252-0.
18. On or about July 26, 2010, Defendant LALLY deposited official check no. 67168, in the amount of approximately \$38,292.37, into his Merrill Lynch account. LALLY then wrote check no. 1166, drawn on his Merrill Lynch account, to McDonald in the amount of approximately \$15,000.00.

19. On or about July 27, 2010, McDonald deposited check no. 1166 into his PNC Bank account.

20. In or around July 2010, in the Northern District of Ohio, Eastern Division, Defendant knowingly executed and attempted to execute a scheme and artifice to defraud Hometown by representing that the commercial line of credit for his companies, Ace Demo and Galahad, was issued for a commercial purpose, when Defendant well knew that said loan proceeds were intended to be used for other purposes, including providing payments and loans to McDonald as Hometown's loan officer administering said loan.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

A TRUE BILL.

Original document - Signatures on file with the Clerk of Courts, pursuant to the E-Government Act of 2002.